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26 AUG 2010



**RESOLUTION No.**

## **THE STATE COMPTROLLER GENERAL**

**WHEREAS:**

[OFFICE OF THE STATE COMPTROLLER GENERAL]

- I. As a result of the study of the special engineering inspection report undertaken on the damages caused to the cooling system and water filters and the assessment of the damages that caused the shutdown of the San Francisco Hydroelectric Power Plant, under the responsibility of the company Hidropastaza S.A., for the period between September 26, 2007, and September 30, 2008, a penalty of **USD 7,000,000** was assessed against **Consorcio Norberto Odebrecht–Alstom–Va Tech**, through its legal representative, a detail engineering, supplies and construction contractor of the San Francisco Hydroelectric Power Plant, which corresponds to the amount of the financial impact and damages caused by the installation of two new runners, which will be placed in the turbines of the San Francisco Hydroelectric Power Plant, given that in less than one year of operation of the previous ones, they showed wear and deterioration, in accordance with the following explanation:

The contracting company, during the design optimization stage, implemented the change in the turbine's synchronous speed, from 244 to 327.27 revolutions per minute, without presenting the study that evidences the evaluation of the parameters associated with the project, and establishes the appropriateness of the change in speed, as well as the zone's geological volcanic risk and the potential increased sediment entrainment, thereby violating the terms of number 3.2 of the third clause of the detail engineering, supplies and construction contract (EPC, per its Spanish acronym), as well as numbers 2.2.1 and 2.5.1 of the mechanical specifications of the second contract modifying the concession contract, which has caused premature wear and deterioration of the Unit 2 turbine runner vanes. However, the construction consortium was not required to submit the studies and designs to adequately justify the speed increase of the turbines, the zone's geological volcanic risks and the potential increased sediment entrainment, violating the terms of sections d), e) and g) of number 5.1, "Concessionaire's Duties during Construction," of the general specifications of the second contract modifying the concession contract.

The National Electricity Council (CONELEC, per its Spanish Acronym), in the capacity as concessionaire for the construction, operation and maintenance of the San Francisco Hydroelectric Power Plant, when issuing its “no objection” to optimizing the project, without having performed an analysis of the changes related to the increase in the synchronous speed of the turbines that would respect or improve the basic concept of the Plant, violated the terms of number 6.7 “Optimization of the Basic Design” of the concession contract.

The construction consortium, in shutting down the Plant's operations between June 6 and October 15, 2008, performed, at its own expense, welding work

**Accountability Directorate. Telephone: 398-7360**  
**Main Office: Av. Juan Montalvo e4-37 y Av. 6 de Diciembre. Quito - Ecuador**

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to rebuild the original profiles of the vanes, the runners of the two generating units and issued the order to manufacture a runner replacing the one in Unit 2.

The Executive President of Hidropastaza S.A., in official letter HP-0957-2008 of October 28, 2008, established that the amount of the impact due to the installation of two new runners amounts to USD 7,000,000.

In view of the foregoing, the lack of compliance with the legal provisions indicated above and the failure to submit the studies and designs to adequately justify the speed increase of the turbines, caused damage to the vanes of the runners of the two generating units of the Hydroelectric Power Plant, causing a financial loss to the entity in the amount of the penalty assessed.

The following are held jointly and severally responsible for **USD 7,000,000**: Messrs. Engineers **Germán Bolívar Anda Naranjo**, Executive President of Hidropastaza S.A., for failing to require the construction consortium to submit the studies and designs that adequately justify the speed increase for the turbines, with the purpose of avoiding the zone's geological volcanic risks and potential increased sediment entrainment; **Sadinoel Freitas Junior**, Executive Vice President of Hidropastaza S.A., for having requested approval of the changes in the design, without the proper technical foundation; **Bolívar Javier Astudillo Farah**, Executive Director of the National Electricity Council (CONELEC), for issuing the no objection to the manufacturing of the electromechanical equipment; **Pablo Aníbal Viteri Estévez**, Concessions Director of CONELEC; **Pablo Mauricio Cisneros Gárate**, Director of Supervision and Control of CONELEC; **Néstor Valdospinos Cisneros**; **Descartes Higinio León Pérez**; and **Edgar Rodrigo Castro Hitchcock**, CONELEC officials, for having failed to carry out adequate control and analysis of the changes made on the generation equipment after reviewing the technical documentation.

[Paragraph II omitted per special instructions]

RESOLVES:

To **DISMISS** the joint and several civil liability established on May 29, 2009, in penalties 5882, 5886 through 5893 assessed in the amount of **USD 7,000,000**, against Messrs.: **Consorcio Norberto Odebrecht-Alstom-Va Tech**, through its legal representative, Mr. **Germán Bolívar Anda Naranjo**, Executive President of Hidropastaza S.A., Messrs.: **Sadinoel Freitas Junior**, Executive Vice President of Hidropastaza S.A., **Bolívar Javier Astudillo Farah**, Executive Director of the National Electricity Council (CONELEC), **Pablo Aníbal Viteri Estévez**, Concessions Director of CONELEC, **Pablo Mauricio Cisneros Gárate**, Director of Supervision and Control of CONELEC; **Néstor Valdospinos Cisneros**; **Descarte Higinio León Pérez**; and **Edgar Rodrigo Castro Hitchcock**, CONELEC employees.

Notice is ordered given.

For the State Comptroller General,

[Signature]  
Dr. César Mejía Freire  
Deputy State Comptroller General, Acting



OFFICE OF THE STATE COMPTROLLER GENERAL. A TRUE COPY. I ATTEST.

[Signature]  
ACCOUNTABILITY SECRETARY

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